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No. 84-975

In the

Supreme Court of the United States

OCTOBER TERM, 1984

DEERE & COMPANY,

Petitioner,

v.

JON E. KINZENBAW and
KINZE MANUFACTURING, INC.,

Respondents.

On Petition For A Writ Of Certiorari To The
United States Court Of Appeals
For The Federal Circuit

PETITIONER'S REPLY BRIEF

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13

TABLE OF CONTENTS

	PAGE
PETITIONER'S REPLY BRIEF	1
I. Kinze's Attempts To Justify The Federal Circuit's Decision On The Hansen And Brass-Hansen Patents Defy Authority And Logic, And Are Now, By Reason Of A Change In The Law After The Federal Circuit's Decision, No Longer Legally Supportable	4
II. Kinze's Argument That The Judgment Of The District Court Regarding Unenforceability Of Pust Was Unreviewed And Has No Collateral Estoppel Effect Ignores The Real World	5
III. Unfounded Are Kinze's Arguments On The Equivalency Issue; The Doctrine Of Equivalents Should Be Applied As A Matter Of Law	7
IV. Dead Wrong Is Kinze's Argument That This Court Ought To Deny Certiorari On The Public Use Issue Because It Involved A Factual Question	8
CONCLUSION	10

TABLE OF CASES

PAGE

Blonder-Tongue Laboratories, Inc. v. *University of Illinois Foundation* (1971), 402 U.S. 313 ..... 5, 6

City Of Elizabeth v. *American Nicholson Pavement Co.* (1877), 97 U.S. 126 ..... 8, 9, 10

Connell v. *Sears Roebuck & Co.* (Fed. Cir., 1983), 722 F.2d 1542 ..... 2, 3, 10

Graver Tank & Manufacturing Co. v. *Linde Air Products Co.* (1950), 339 U.S. 605 ..... 8, 10

Pennock & Sellers v. *Dialogue* (1829), 27 U.S. 1 9

Plastics Container Corp. v. *Continental Plastics* (10th Cir., 1979), 607 F.2d 885 ..... 6, 7

Rochester Civic Theatre, Inc. v. *Ramsay* (8th Cir., 1966), 368 F.2d 748 4

Technograph Printed Circuits, Ltd. v. *United States* (Ct. Cl., 1967), 372 F.2d 969 6

Triplett v. *Lowell* (1936), 297 U.S. 638 5

Abbreviations and Quotations

In this reply brief, Deere's Petition for a Writ of Certiorari is referred to herein by the designation "P" followed by the page number (e.g., P 11) and Respondents' Brief in Opposition is referred to herein by the designation "RB" followed by the page number (e.g., RB 3).

As in Deere's petition, emphasis in quotations has been added throughout this brief unless otherwise noted.

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Petitioner's showing that this case warrants this Court's attention has not been refuted by respondents' brief.

The central theme of Kinze's Brief in Opposition is that, while the Federal Circuit may have been wrong in not upsetting the District Court's holdings of invalidity of four patents, this patent case is not the kind of case that this Court normally considers or need consider. Kinze argues (RB 7):

> "Deere cites no conflict between the decision of the Court of Appeals and that of this or any other court,

> no departure from settled law which calls for the exercise of this Court's supervisory powers and no decision on any as yet unresolved questions of law."

In making that statement, Kinze just buries its head in the sand respecting the real issues raised in Deere's petition.

Our petition leads off (P 8-10) with a showing — unanswered by Kinze's brief — that the decision of the Federal Circuit in this case was a giant step backward from *Connell* v. *Sears Roebuck & Co.* (Fed. Cir., 1983), 722 F.2d 1542, which held that the evidence required to defeat the statutory presumption of validity of a patent must be "*clear* and *convincing*". Chief Judge Markey of the Federal Circuit wrote in *Connell* (722 F.2d at 1549):

> "The patent challenger may indeed prove facts capable of overcoming the presumption, but *the evidence relied on to prove those facts must be clear and convincing.* Thus, the introduction of art or other evidence not considered by the PTO does not change the burden and does *not* change the requirement that *that evidence establish presumption-defeating facts clearly and convincingly.*"

What makes the decision of the Federal Circuit in this case so inexplicable is that the court failed to review *any* of the holdings against that demanding standard, even through the Court, in *Connell,* held that a reviewing court (722 F.2d at 1546-7):

> ". . . *must inquire, under the proper legal standard of patentability,* whether the evidence and inferences reasonably drawn therefrom, when viewed in the light most favorable to the non-moving party and without weighing credibility, is or is not substantial."

Had it followed *Connell,* as due process demands, the Federal Circuit would surely have reversed the District Court's judgment, for the "evidence" underlying the jury's findings was more than shamefully insufficient; it was non-existent.*

Kinze notwithstanding, this is not an ordinary patent case. Deere's patents cover inventions admittedly meritorious and admittedly pirated by Kinze. Deere, pursuant to Congressional statutes promulgated under the Constitution to "promote the Progress of Science and the useful Arts", obtained property rights which are presumptively valid. This Court has a duty to ensure that Kinze's attack on those property rights meets the same due process requirements which are routinely, and properly, applied by this Court in cases involving individual rights.

Because the Federal Circuit failed to accord Deere's property the protection to which it is entitled by statute, this Court must act, as will now be shown.

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* Kinze, both in the District Court and in the Court of Appeals, portrayed itself as "the little guy" against the behemoth Deere. Kinze has even portrayed his piracy of Deere's property as initiated on behalf of the American farmer, arguing that somehow Kinze was deserving of special consideration respecting Deere's charges of infringement because of Kinze's antitrust allegations that were settled without trial (RB 1-2). Kinze's hypocrisy in that respect boggles the mind; what it has never confessed to is that its piracy transformed its owner Jon E. Kinzenbaw into a multimillionaire practically overnight!

I. Kinze's Attempts To Justify The Federal Circuit's Decision On The Hansen And Brass-Hansen Patents Defy Authority And Logic, And Are Now, By Reason Of A Change In The Law After The Federal Circuit's Decision, No Longer Legally Supportable.

We demonstrated in our Petition that the Federal Circuit committed gross legal error in ruling, as it did, that Deere waived its right to challenge the sufficiency of the evidence underlying the jury's finding that the Hansen and Brass-Hansen patents were invalid.

Controlling on the point that there was no waiver is *Rochester Civic Theatre, Inc.* v. *Ramsay* (8th Cir., 1966), 368 F.2d 748, holding that an issue of sufficiency of evidence is preserved for appeal if the opposing party either (a) explicitly moves for a directed verdict on that issue or (b) objects to a proposed instruction on the issue on the ground that supporting evidence is lacking.

In this case, Deere did the latter, objecting to Kinze's proposed instructions on the prior knowledge defense under §102(a) respecting the Hansen and Brass-Hansen patents, and that preserved the issue for appeal.

Aside from Kinze's erroneous analysis of Rule 50, the decision of the Federal Circuit allowed to stand the finding that the Hansen and Brass-Hansen patents were invalid over unpublished private ideas in the minds of Eugene Keeton and Waldo Pust — both of whom had conveyed to Deere ownership interest in their respective inventions. §103 of the Patent Law has been amended to prevent that very result, and hence, as of the effective date of the amendments to the law (after the Federal Circuit's decision), the alleged "prior knowledge" of Keeton and Pust cannot, as a matter of law, be prior art against the Hansen and Brass-Hansen patents.

Respecting that latter point, Kinze's brief is conspicuously silent. Kinze's default on that score is no less than a tacit acknowledgement that Deere's position is well founded.

This Court is Deere's only hope to ensure that the Congressional mandate of §103 as recently amended is observed.

II. Kinze's Argument That The Judgment Of The District Court Regarding Unenforceability Of Pust Was Unreviewed And Has No Collateral Estoppel Effect Ignores The Real World.

In its petition, Deere demonstrated that the failure of the Federal Circuit to review the District Court's holding that the Pust patent was unenforceable, by reason of inequitable conduct, stripped Deere of its property rights in the Pust patent under *Blonder-Tongue Laboratories, Inc.* v. *University Of Illinois Foundation* (1971), 402 U.S. 313. Kinze responds with the pristine argument that, because the District Court's judgment on inequitable conduct received no attention from the Court of Appeals, it is entitled to no collateral estoppel effect.

That, as an argument, ignores the workings of the judicial system. So too does Kinze's argument ignore this Court's rationale in abandoning its earlier holding, in *Tripplett* v. *Lowell* (1936), 297 U.S. 638, that a determination of patent validity is not *res judicata* against a patentee in subsequent litigation against a different defendant. In *Blonder-Tongue*, this Court concluded that the requirement for mutuality of estoppel by judgment was no longer sound law. This Court, in *Blonder-Tongue*, did not make the distinction which Kinze makes, namely that a holding of invalidity by a lower court,

not passed on by a court of appeals, is any less of a reason for casting a cloud over a patent (402 U.S. at 327).

Also in *Blonder-Tongue,* this Court quoted from *Technograph Printed Circuits, Ltd.* v. *United States* (Ct. Cl., 1967), 372 F.2d 969, 977, thus:

> "For patent litigation there is a special reason why relitigation is not automatically banned as needless or redundant, and why error should not be perpetuated without inquiry. Patent validity raises issues significant to the public as well as to the named parties. . . . It is just as important that a good patent be ultimately upheld as that a bad one be definitively striken."

But this Court then proceeded to reject the Court of Claims' suggestion that relitigation should not be banned, holding that — because patent validity raises "issues significant to the public" — there is a compelling public interest in determining whether a patent is good or bad. In this case, the Federal Circuit failed to make the determination of whether the Pust patent was good or bad and the error of the District Court was most surely "perpetuated without inquiry" by the Federal Circuit's failure to rule on the validity — or unenforceability — of the Pust patent.

Even Kinze's technical legal rationale that no collateral estoppel effect attaches to the District Court's judgment under these circumstances does not excuse the District Court's error being "perpetuated without inquiry" by the Federal Circuit. Of all the cases cited by Kinze, only one is a patent case — and it is not in point. We refer to *Plastics Container Corp.* v. *Continental Plastics* (10th Cir., 1979), 607 F.2d 885, where a prior district court adjudication of invalidity based on

three grounds was affirmed by the Court of Appeals on one of those grounds, and hence was entitled to a collateral estoppel effect. The fundamental difference is that the court, in *Plastics Container, did* adjudicate validity, albeit on only one ground, and the patent was just as invalid as if the reviewing court had affirmed on all three grounds. Here, on the other hand, the *only* ground of invalidity or unenforceability was based on inequitable conduct, and that was never reviewed by the Federal Circuit. Hence, the fundamental question of patent validity — significant to the public as well as the parties — has never been decided because the Federal Circuit passed only on the infringement issue. The cloud over the Pust patent remains.

III. Unfounded Are Kinze's Arguments On The Equivalency Issue; The Doctrine Of Equivalents Should Be Applied As A Matter Of Law.

In an effort to support the Federal Circuit's refusal to apply the doctrine of equivalents, Kinze argues that Pust narrowed his claims, giving rise to file wrapper estoppel. Kinze correctly states the rule regarding file wrapper estoppel, but then misapplies it (RB 14):

> "A patentee who surrenders subject matter during prosecution of his patent by voluntarily inserting limitations *to overcome prior art rejections* cannot, as a matter of law, resort to the doctrine of equivalents."

In this case, the recitation that the guage wheel was smaller than the disc did *not* distinguish the invention in any way from the prior art cited by the Examiner; the gauge wheel of the prior art patents was smaller than the disc and hence file wrapper estoppel cannot apply.

As we pointed out in our Petition (P 14-15), Justice Jackson explained, in *Graver Tank & Manufacturing Co.* v. *Linde Air Products Co.* (1950), 339 U.S. 605, that the purpose of the doctrine of equivalents was to discourage "the unscrupulous copyist" from making "unimportant and insubstantial changes" from a patent to avoid its literal terms. Here, Kinze did just that, freely admitting that the size of its gauge wheel — one tenth of an inch larger than the disc — "doesn't make any difference".

The Federal Circuit just ignored the mandate of this Court in *Graver,* and that was error.

IV. Dead Wrong Is Kinze's Argument That This Court Ought To Deny Certiorari On The Public Use Issue Because It Involved A Factual Question.

As we demonstrated in our Petition (P 19-22), the Federal Circuit, in upholding the District Court's judgment on the public use issue, departed from this Court's decision in *City Of Elizabeth* v. *American Nicholson Pavement Co.* (1877), 97 U.S. 126. Kinze responds by saying that the issue of "public use" raised by Deere's position is "unworthy of review on a petition for certiorari because it would require the Court to weigh the evidence" (RB 21).

That is no answer because there is *no evidence* supporting the jury's finding of a "public use". The District Court instructed the jury that it could find "public use" *only* if it found a "non-secret" use of the invention—and it is undisputed that the farmers participating in Deere's testing program had not breached their duty of secrecy.

Another clear error of the Federal Circuit stemmed from its ruling that "even if the use was secret, its com-

mercial character made it a public use" (P 16a). The contradiction in that statement stands out in bold relief — something that is "secret" cannot be "public".

Kinze seeks to support that erroneous statement of the law by this Court's decision in *Pennock & Sellers* v. *Dialogue* (1829), 27 U.S. 1, 18, arguing (RB 23):

> ". . . an inventor may not withhold knowledge of his invention from the public while furthering the use of his invention . . . ."

That argument illustrates the subtle but pervasive misstatements of the law made by Kinze throughout this entire case. What this Court said in *Pennock* was (27 U.S., at 19):

> "If an inventor should be permitted to hold back from the knowledge of the public the secrets of his invention; if he should for a long period of years retain the monopoly, and *make, and sell his invention publicly,* and thus gather the whole profits of it, relying upon his superior skill and knowledge of the structure; and then, and then only, when the danger of competition should force him to secure the exclusive right, he should be allowed to take out a patent, and thus exclude the public from any further use than what should be derived under it during his fourteen years."

Here Deere did not earn a dime from its testing activities, and the Federal Circuit's holding that those testing activities were commercial in character just flies in the face of this Court's holding in *City of Elizabeth.*

In sum, the Federal Circuit was unmistakably wrong in concluding that, because Deere's testing program would serve a future commercial purpose, it was an invalidating public use.

This Court's decision in *City of Elizabeth* controls, and the Federal Circuit was wrong in ruling to the contrary.

Conclusion

Kinze notwithstanding (RB 7), the decision of the Federal Circuit is in conflict with both earlier decisions of that court (*e.g., Connell*) and settled law established by this Court (*e.g., Graver Tank* and *City of Elizabeth*). So too, the decision of the Federal Circuit, if allowed to stand, leaves unresolved questions of law presented by the amendments to the Patent Laws as enacted by Congress in November of 1984.

This Court most surely has an obligation to exercise its supervisory powers to correct the errors of the Federal Circuit which have, without doubt, deprived Deere of its property rights in the patents in suit without due process of law. It must not be forgotten that great corporations like Deere are entitled to due process too.

Respectfully submitted,

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